

# HOUSE BILL REPORT

## SHB 2225

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### As Passed Legislature

**Title:** An act relating to allowing certain higher education endowment grant funds to be deposited outside the state.

**Brief Description:** Allowing certain higher education endowment grant funds to be deposited outside the state.

**Sponsors:** By House Committee on Financial Institutions & Insurance (originally sponsored by Representative Kirby; by request of State Treasurer).

**Brief History:**

**Committee Activity:**

Financial Institutions & Insurance: 3/1/05 [DPS].

**Floor Activity:**

Passed House: 3/15/05, 96-0.

Passed Senate: 4/13/05, 46-0.

Passed Legislature.

#### Brief Summary of Substitute Bill

- Creates an additional exemption to the prohibition on depositing public funds in out-of-state depositories for deposit of higher education endowment grants for specified study or research programs being performed outside of Washington.
- Requires authorization of the Public Deposit Protection Commission (Commission).
- Allows limitations in time, terms, and conditions as the Commission or Chair of the Commission deems appropriate.

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### HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives Kirby, Chair; Ericks, Vice Chair; Roach, Ranking Minority Member; Tom, Assistant Ranking Minority Member; Newhouse, Santos, Schual-Berke, Serben, Simpson, Strow and Williams.

**Staff:** Jon Hedegard (786-7127).

**Background:**

The Public Deposit Protection Commission (Commission) protects public deposits which exceed the amount insured by the Federal Deposit Insurance Corporation. The State Treasurer, Lieutenant Governor, and the Governor, ex officio, compose the Commission. The Commission is administered through the State Treasurer's office.

Current law generally prohibits the deposit of public funds in a public depository outside of the state. There are several exceptions to the general prohibitions, including:

- funds deposited under a fiscal agency contract with the state fiscal agent;
- funds deposited under a custodial bank contract with the state's custodial bank;
- funds deposited under a local government multi-state joint self-insurance program as provided in 48.62.081; and
- a demand deposit account maintained by a treasurer outside of Washington solely for the purpose of transmitting money for deposit in public depositories. An account must be authorized by the Commission or the Chair if delegated that authority by the Commission. There must be good cause for the account. The account may be limited in time, terms, and conditions as the Commission or Chair deem appropriate.

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#### **Summary of Substitute Bill:**

The bill creates an additional exemption to the prohibition on depositing public funds in out of state depositories. A demand deposit account may be maintained by a treasurer for deposit of higher education endowment grants for specified study or research program being performed outside of Washington. The account must to be authorized by the Commission or the Chair if delegated that authority by the Commission. There must be good cause for the account. The account may be limited in time, terms, and conditions as the Commission or Chair deem appropriate.

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**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date:** The bill takes effect 90 days after adjournment of session in which bill is passed.

**Testimony For:** There is a proposed substitute before you with some agreed-upon technical changes. There is a maximum dollar limit on public funds held in accounts outside of Washington. The problem lies with organizations trying to attend to day to day functions, mainly outside of the United States. The University of Washington's international research programs have blossomed over the last few years. The University of Washington has received numerous grants to be used for international research and projects. There are grants from a variety of public and private sector sources. Often the research or the project is in a developing country that does not have sophisticated banking processes. The staff working on the projects or performing the research need to pay for day to day items and it is difficult to do

so with the restrictions today. Last year, the problem on limitation on public funds was discovered and a request to hold funds outside the United States had to be denied. The interested parties worked on language to address this problem. The bill allows these accounts to be permitted with oversight.

**Testimony Against:** None.

**Persons Testifying:** Mike Murphy, State Treasurer; and Randy Hodgins and Ann Anderson, University of Washington.

**Persons Signed In To Testify But Not Testifying:** None.